

HOUSE BILL NO. 439

INTRODUCED BY WISEMAN

A BILL FOR AN ACT ENTITLED: "AN ACT DISALLOWING THE INDIVIDUAL INCOME TAX CREDIT FOR TAXES IMPOSED BY FOREIGN COUNTRIES IF A FEDERAL INCOME TAX DEDUCTION OR CREDIT WAS TAKEN FOR THE FOREIGN TAXES; AMENDING SECTION 15-30-124, MCA; AND PROVIDING AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-30-124, MCA, is amended to read:

"15-30-124. Credit allowed resident taxpayers for income taxes imposed by foreign states or countries. (1) Subject to the conditions provided in subsections (2) through ~~(5)~~ (6), a resident of this state is allowed a credit against the taxes imposed by this chapter for:

- (a) income taxes imposed by and paid to another state or country on income taxable under this chapter;
- (b) the resident's pro rata share of any income tax imposed by and paid to another state or country by an S. corporation of which the resident is a shareholder; and
- (c) the resident's distributive share, whether separately or nonseparately stated, of any income tax imposed by and paid to another state or country by a partnership of which the resident is a partner.

(2) The credit is allowed only for taxes paid to another state or country on income derived from sources within the other state or country that is taxable under the laws of the other state or country regardless of the residence or domicile of the taxpayer.

(3) The credit is not allowed if the other state or country allows residents of this state a credit against the taxes imposed by the other state or country for taxes paid or payable under this chapter.

(4) The credit is not allowed on taxes imposed by a foreign country to the extent that a deduction or credit for the taxes imposed by the foreign country was claimed for federal income tax purposes.

~~(4)~~(5) The allowable credit must be computed by a formula prescribed by the department.

~~(5)~~(6) For the purposes of the credit under subsections (1)(b) and (1)(c):

- (a) "income tax" has the same meaning as provided in Article II of 15-1-601;
- (b) the S. corporation must have made and have in effect on the last day of its tax year a valid election

1 under subchapter S. of Chapter 1 of the Internal Revenue Code; and
2 (c) the credit applies only to taxes paid by the S. corporation or partnership on income taxable under
3 this chapter."
4

5 NEW SECTION. **Section 2. Applicability.** [This act] applies to tax years beginning after December
6 31, 2005.

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